

# The Role of Indian Commercial Banks in Promoting Financial Inclusion

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## Abstract

*This paper investigates the real-life role that commercial banks in India play in promoting financial inclusion—especially for people living in rural areas or those who belong to low-income groups. While government programs such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) have helped millions gain access to formal banking, a large number of citizens are still left behind.*

*This research includes a survey of 97 individuals across different age groups, education levels, and occupations in Uttar Pradesh. The findings suggest that most people have a mobile phone and may use UPI apps, but many still don't fully trust or understand formal banking services. The paper explores challenges like low awareness, fear of hidden charges, lack of time, and complicated paperwork. Finally, it offers practical and user-friendly recommendations for making banking more inclusive, relatable, and accessible to everyone.*

## I. Introduction

Banks are a vital part of a country's economic growth and development, acting as the backbone of financial systems and supporting overall progress. They are not just institutions where people save money—they also act as financial lifelines for households, businesses, and the government. In India, the need for financial inclusion has been a major concern for decades. A large portion of the population still lacks access to formal financial services like savings accounts, credit, insurance, and digital payments. This means that many individuals remain outside the scope of essential tools that can help them save money, build assets, or manage emergencies.

Financial inclusion aims to make banking services available, affordable, and accessible

to all, particularly to those who have traditionally been excluded—such as people in rural areas, low-income households, and the informally employed. With technological progress and digital banking systems, one might assume that India is well on its way to achieving full inclusion.

The Government of India has made significant efforts to bridge this gap. Schemes like the Pradhan Mantri Jan Dhan Yojana (PMJDY), which offer zero-balance bank accounts and insurance coverage, have brought millions into the banking

fold. Yet, access alone does not ensure meaningful financial inclusion. Real inclusion comes when people understand and actively use these services to improve their lives.

This paper investigates how Indian commercial banks are contributing to the goal of financial inclusion—not just by opening accounts but by truly engaging with customers, understanding their needs, and overcoming the barriers they face. By studying both national efforts and local experiences, this research hopes to offer useful insights for making the banking system more inclusive, humane, and impactful.

## II. LITERATURE REVIEW

Over the past two decades, financial inclusion has emerged as a key priority for policymakers, financial institutions, and social development organizations. The idea that everyone should have equal access to financial resources is at the heart of many government policies. In India, the Reserve Bank of India (RBI) and the Government of India have launched several schemes to bring the unbanked population into the formal financial sector. These include models like Business Correspondents (BCs), Microfinance Institutions (MFIs), and direct benefit transfers linked to Aadhaar-enabled bank accounts.

According to the CRISIL Inclusix Index (2011), financial inclusion in India remains uneven. While urban areas have benefited from increased access to banking services, many rural areas still struggle. Challenges include the cost of maintaining rural branches, lack of awareness, and digital illiteracy. Internationally, countries like the UK and US have implemented measures such as mandatory low-cost accounts and financial education to bridge similar gaps.

A common finding across global and Indian literature is the importance of tailored approaches—no one-size-fits-all solution exists. Local context, community involvement, and sustained awareness campaigns are essential for long-term impact. This review highlights that while structural and technological changes are crucial, human interaction and cultural understanding remain central to effective financial inclusion.

The RBI in 2014 stressed enhancing financial access for low-income families and small enterprises, recommending digital and inclusive banking infrastructure. Proposals included

electronic full-service bank accounts, wider deployment of digital payment points, and development of products for savings, insurance, credit, and risk management for the underserved. Key proposals included integrating bank accounts with Aadhaar, creating specialized payment banks, and establishing a Financial Redress Agency.

### III. METHODS

#### A. Research Methodology

The data for this study was gathered from both primary and secondary sources. Secondary data was collected from published books, journals, periodicals, and other relevant literature. These sources also helped in designing the questionnaire used for collecting primary data. The primary data was obtained by administering a structured questionnaire to a sample of 97 respondents from various occupational backgrounds residing in the state of Uttar Pradesh.

#### B. Research Design

The study utilized a design that involved gathering data from both primary and secondary sources. The questionnaire designed for primary data collection was structured.

#### C. Data Collection Methods Data was collected using:

Primary Data: Obtained by administering a structured questionnaire.

Secondary Data: Collected from published books, journals, periodicals, and other relevant literature.

#### D. Sample Size and Sampling Technique

The primary data was collected from a sample of 97 respondents. These respondents were from various occupational backgrounds and resided in the state of Uttar Pradesh.

#### E. Data Analysis Techniques

While specific data analysis techniques are not detailed in the methodology section, the "Chapter 4 Data analysis and interpretation of questionnaire" section presents the findings using tables and detailed analysis for each question.

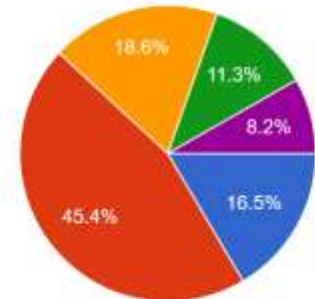
#### F. Data Analysis

The data analysis and interpretation are presented in Chapter 4 of the thesis. This section shares the results of the survey, exploring different facets of financial inclusion, public views on banking services, and the obstacles people face in accessing financial products. The findings are displayed using tables along with detailed analysis for each question (1-15, where applicable).

### IV. DISCUSSION OF FINDINGS

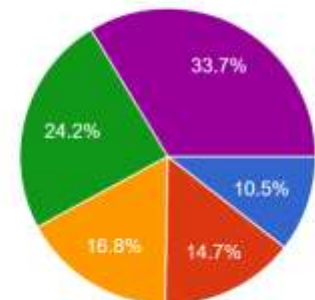
#### 1. Age Group

97 responses



#### 2. Education Level

95 responses

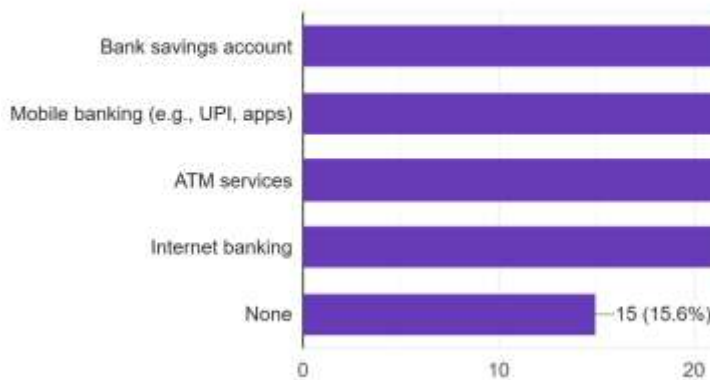


#### 3. Employment Type

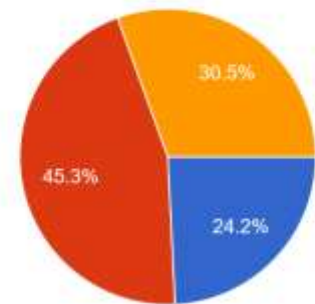
96 responses



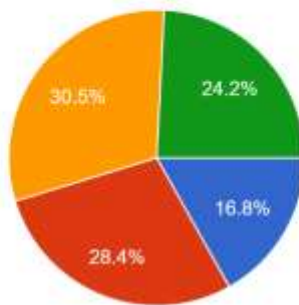
4. Which of the following services do you currently use? (1  
96 responses



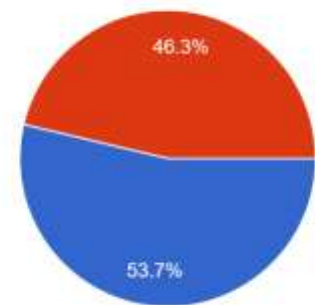
7. Did a bank representative ever visit your area for account  
95 responses



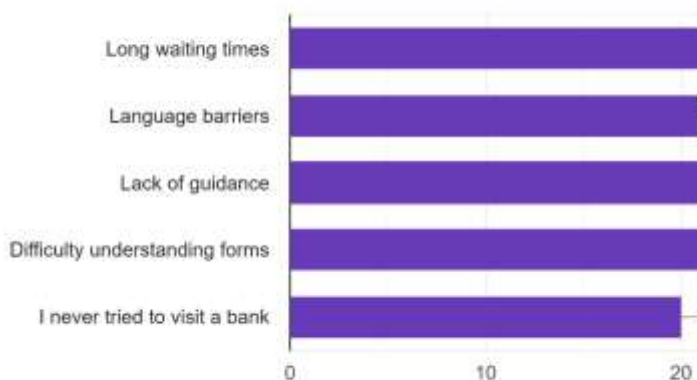
5. How far is the nearest bank from your residence?  
95 responses



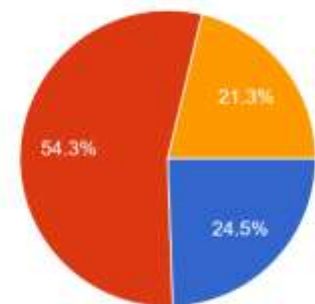
8. Have you heard about the term 'Financial Inclusion'?  
95 responses



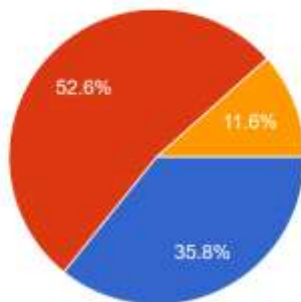
6. Have you experienced any of the following while accessin  
97 responses



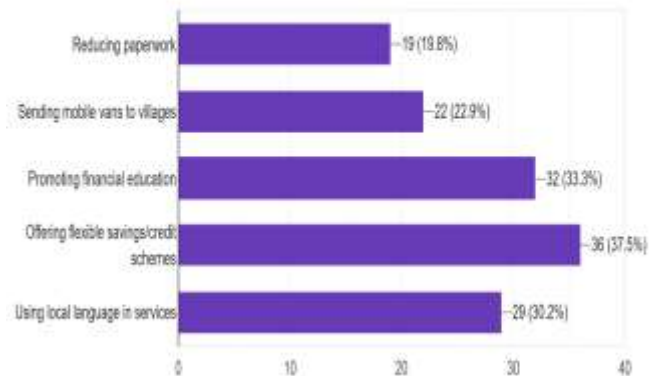
9. Are you aware of government initiatives like Jan Dhan Y  
94 responses



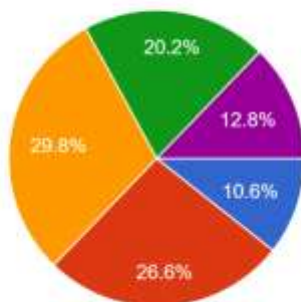
10. Do you feel confident using digital payment apps (e.g.,  
95 responses



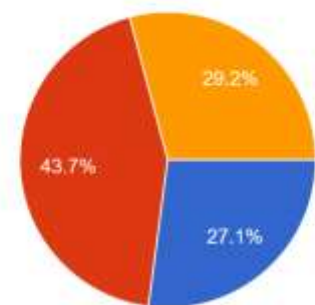
13. What should commercial banks focus on to improve inclusion? (Select any two)  
96 responses



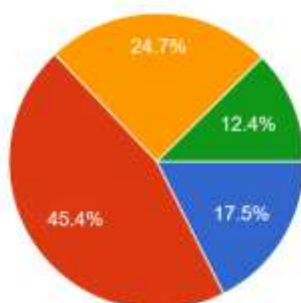
11. What prevents you from using more banking or financial services?  
94 responses



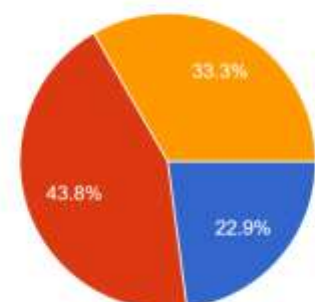
14. Would you attend a free financial awareness workshop?  
96 responses



12. In your opinion, how helpful are banks in improving the financial literacy of rural people?  
97 responses



15. Would you prefer a human representative over mobile app for financial services?  
96 responses



## V. Conclusion

India has made a lot of progress in promoting financial inclusion, especially through government schemes and digital platforms. But inclusion is not just about opening bank accounts—it's about making sure people actually use them and benefit from them.

Commercial banks have a key role to play. They must go beyond offering services to building relationships with people. This includes understanding the local context, being patient with first-time users, and making every step of the process simple and clear.

This research shows that while technology is helpful, it must be supported by trust, education, and personalized support. By focusing on what people really need, banks can become stronger allies in building a financially secure India.

## VI. Recommendations

Based on the findings, here are a few practical steps banks can take:

- 1. Run Financial Literacy Campaigns**  
Host workshops and awareness sessions in villages and small towns using real-life examples.
- 2. Use Local Languages and Simple Words**  
Make forms and explanations easier to understand for everyone.
- 3. Offer Flexible, No-Hassle Products**  
Design savings and loan options for people with unpredictable incomes, like farmers or daily wage earners.
- 4. Send Banking Vans to Remote Areas**  
Mobile branches can help reach people who live far from bank locations.
- 5. Promote Safe Digital Banking**  
Teach users how to use mobile apps safely and avoid scams.
- 6. Train Bank Staff to be Friendly and Supportive**  
Staff should be trained to help customers patiently and clearly, especially first-timers.

## VII. References

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